

TO: CHAIRMAN, CO-OPERATIVE SOCIETIES ADVISORY COUNCIL

FROM: W. W. RAWLINSON, MEMBER

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DISCUSSION PAPER

PROMOTION OF CO-OPERATION  
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## INTRODUCTION

Co-operative effort in Victoria has contributed significantly to the economic and social betterment of people and the State through establishment of Co-operative businesses and services organised by groups intent upon self help with a regard to local ownership, local retention of profits and community improvement.

In this State Co-operatives have developed in

### Agriculture

in      Dairy products processing and marketing  
         Herd Improvement  
         Fruit - fresh, dried, canned, processing  
         and marketing  
         Fertilisers - processing and marketing  
         Livestock marketing  
         Egg marketing

### Consumer Credit

Credit Unions

### Consumer Retail Services

### Community Radio and TV production facilities

### Housing and Building Societies

### Community Services

Clubs and community amenities  
School facilities improvements

### Job Creation Schemes

Unlike many countries of the world, Co-operatives in Victoria have so far not developed a Co-operative Banking Service, a Co-operative Training Institution or ensured adequate awareness of the potential of the Co-operative alternative in business or community service by providing adequate attention to the philosophy and operations of Co-operatives in academic curricula in lower and higher level education institutions.

This lack of awareness is further aggravated by the lack of public identification of the Minister administering the Co-operation Act with the Co-operative sector of his portfolio and the relatively low key image of the Registry of Co-operative Societies.

## WHAT IS A CO-OPERATIVE?

Before considering factors affecting this situation and possible remedies it is essential that the reader is fully familiar with what is meant by the term "Co-operative". The writer considers this should be recognised as a proper

noun and not as an adjective qualifying the noun "company" or "society" so as to distinguish a unique form of business structure.

A Co-operative, be it a business or social amenity, is an organisation based on the fundamental values of

Equity  
Equality  
Mutuality

Co-operatives differ from other business structures in that these values are adhered to in the following manner -

#### Equity

Co-operative capital is provided by member/owners as service capital rather than investment capital. For this reason a limited rate of interest is payable on shares rather than a high rate of dividend.

Co-operative shares cannot be sold on stock exchanges or in any public manner. For this reason they are not attractive to an investing public for gain from increase in value.

Surplus derived from the operations of the Co-operative belongs to the members either collectively in retained funds for future development or in the form of rebate or bonus payable to the members in proportion to each one's contribution towards the creation of that surplus.

The surplus therefore remains in the community where it was earned rather than being exported to absentee investor shareholders.

#### Equality

Control of Co-operatives is democratic, i.e. each member has one vote irrespective of the extent of their shareholding.

Directors are required to be members and to be elected by members.

There is a limitation on the maximum number of shares any one member may hold.

#### Mutuality

Co-operatives are set up by the member/owners to provide services for themselves and their communities.

## CO-OPERATIVE LEGISLATION

Before 1953 Co-operatives in Victoria incorporated under

The Companies Act  
The Industrial and Provident Societies Act  
The Friendly Societies Act

With the introduction of the Co-operation Act Co-operatives were given the opportunity to transfer their operations to the administration of the Registrar of Co-operative Societies. Many large Co-operative Companies chose to remain under the Companies Act and other elected not to transfer. However the Co-operation Act 1981 at Section 54(6) specifically prohibits the inclusion of the word "Co-operative" in the registered name of any Company or Society, formed after 1953, incorporated under legislation other than the Co-operation Act.

Formal and recognised Co-operatives are therefore restricted to incorporation under the Co-operation Act. Many business organisations adopt an informal co-operative structure in their constitution.

The Income Tax Assessment Act, at Division 9, has its own definition of Co-operative for taxation purposes. This has the effect of any business organisation, irrespective of the corporate legislation under which registered, being identifiable for taxation purpose as a Co-operative.

The Co-operation Act contains no definition of a Co-operative.

At Section 6(1) a Co-operative

"may be formed for promoting the economic or social interests of its members"

At Section 6(3) Co-operatives

"may promote co-operation for the improvement of the conditions of rural or urban life"

At Section 13 Community Advancement Societies

"may be formed for the object of providing community services or benefits and in particular

(h) to do all things calculated to improve the conditions of community life.

At Section 49(3) a Federation

"may be formed to promote co-operation for the improvement of conditions of rural or urban life and to encourage and assist in the formation of Co-operative Societies.

At Section 218(4) (a) the Advisory Council function shall include

"submission of recommendations to the Minister with respect to -

- (i) Any action to be taken for promoting encouraging and assisting in the formation of societies
- (iii) proposals relating to financing the operations of societies and in particular the execution of guarantees under the Act....."

#### THE CO-OPERATIVE FEDERATION

This voluntary funded body, operating with a small grant from the Advisory Council, has as objects, inter alia

- "(d) representing the best interests of Co-operatives and their relationship with all branches of government.
- (e) furthering an understanding of Co-operatives by the general public and fostering a climate for Co-operative growth."

The Federation adheres to these objects by:

- (i) representation on the Advisory Council
- (ii) submissions on required Co-operative legislative amendments
- (iii) submissions on Government policies considered disadvantageous to Co-operatives
- (iv) submissions proposing Government policies of benefit to Co-operatives
- (v) working through TAFE Transition Programme to secure Commonwealth Government funds for research to be undertaken to develop curriculum material and a practical pilot scheme in Co-operative education for implementation in schools in 1984
- (vi) working with Footscray Technical College to develop a public education programme to assist people in the community understand the purpose and role of Co-operatives, and requirements to form Co-operatives, benefits and responsibilities of Co-operative membership
- (vii) working with Ministry of Employment and Training in development of Community Employment Co-operatives
- (viii) endeavouring to raise funds towards production of a TV video film on Co-operatives in Victoria. To date \$1,500 has been raised which is held in trust to be applied to any funds the Government might make available for such a project.

The extent of these services is related to the financial limitations of the Federation.

#### THE CO-OPERATIVE SOCIETIES ADVISORY COUNCIL

A major function of the Advisory Council relates to the execution of guarantees under the Act.

At 31st December 1982 the following guarantees were extant:

<u>Type of Society</u>	<u>No.</u>
Producers	13
Community Settlement	2
Community Advancement	
Schools	265
Others	374
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	654
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The Victorian Government is the only Government in Australia to provide such incentives for the formation of Co-operatives. The performance record of such Co-operatives over the 30 years of this incentive scheme more than justifies this laudable innovation by the Victorian Government of the past and continued by successive Governments.

Whilst the community benefit provided through the co-operative efforts of these groups is unquestioned and the Statutory objectives of such Community Advancement Co-operatives have undoubtedly been fulfilled, nevertheless, the considered opinion of the writer is that these achievements have been obtained without an awareness of the true nature of Co-operatives. It is considered that a major proportion of the 650 Co-operatives currently using the scheme and the previous users over the 30 years of the facility view their operation as a convenient structure provided in Victoria to obtain a gilt edge security against which a bank might advance funds to enable a worthwhile community project to be undertaken.

#### THE NEED

Today there is an increasing awareness of the need for a middle road between the public and private sector. Many people, young and not so young have a hazy idea of the Co-operative way but lack a detailed knowledge of what a Co-operative is, the potential of Co-operatives, the responsibilities and benefits of Co-operative membership and the procedure to be followed to form a Co-operative.

This member of the Advisory Council considers the

Community could be assisted

Advisory Council could fulfil its functions  
more effectively

The Co-operative movement would be protected

It is considered a sum of \$10,000 should be made available to meet proposal (1) and \$15,000 to meet proposal (2) above.

W. W. Rawlinson  
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